

**Review of Compliance with the Railroad Unemployment Insurance  
Amendments Act of 1996  
Report No. 98-18, August 14, 1998**

**Background**

One of the primary functions of the Railroad Retirement Board (RRB) is to pay unemployment and sickness benefits to railroad workers under the Railroad Unemployment Insurance Act (RUIA). The RRB paid unemployment and sickness benefits of approximately \$71.5 million, net of recoveries, during fiscal year 1997 to about 36,000 claimants. During the year, the RRB also paid \$8.2 billion, net of recoveries, in retirement and survivor benefits.

On October 9, 1996, the President signed the Railroad Unemployment Insurance Amendments Act of 1996 (Act). The major changes made by the Act were:

- a reduction in benefit waiting periods from fourteen days to seven days;
- the elimination of a second waiting period when an employee's benefit claims continue into a new benefit year during a period of continuing unemployment or sickness;
- a reduction of extended benefits from 130 days to 65 days for employees with fifteen or more years of railroad service;
- the creation of an earnings test which prevents unemployment benefit payments for claims in which the employee's earnings exceed the amount of the monthly RUIA compensation base;
- an increase in the maximum daily benefit rate to \$42 from \$36, effective with claims beginning after October 8, 1996, and to \$43 for claims beginning after June 30, 1997.

The maximum daily benefit rate became equal to five percent of the monthly RUIA compensation base -- the monthly employee earnings base on which railroad employers are taxed. The Act also established the concept of a "period of continuing unemployment," which was defined as:

- a single registration period having more than four days of unemployment;
- a series of consecutive registration periods, each having more than four days of unemployment; or
- a series of successive registration periods, each having more than four days of

unemployment and each beginning within fifteen days after the last day of the preceding claim.

The Act did not change the concept of “period of continuing sickness.” That term is defined by the RUIA as:

- a period of consecutive days of sickness, whether from one or more causes, or
- a period of successive days of sickness due to a single cause without interruption of more than 90 consecutive days which are not days of sickness.

The RRB’s strategic plan states that it will optimize accuracy in providing benefits. This is the agency’s first objective in meeting its primary goal of providing excellent customer service. This audit addressed that area of agency performance. The agency’s strategic plan does not have a specific goal related to amendments to the laws it administers.

### **Objective, Scope, and Methodology**

The objective of this review was to determine if the Railroad Retirement Board is in compliance with the Railroad Unemployment Insurance Amendments Act of 1996. In order to meet this objective, auditors reviewed a statistical sample of 100 cases claiming unemployment and sickness benefits for periods beginning in fiscal year 1997. The cases were examined for the following elements which indicate compliance with the provisions of the Act:

- seven-day waiting periods beginning after October 8, 1996,
- only one waiting period in the first period of continuing unemployment and first period of continuing sickness beginning in the benefit year,
- a maximum daily benefit rate of \$42 for claims beginning after October 8, 1996 and \$43 for claims beginning after June 30, 1997,
- a maximum of 65 days of benefits for extended benefit periods beginning after October 8, 1996, and
- no unemployment benefits paid for claims beginning after October 8, 1996, in which the employee’s earnings exceeded the amount of the monthly RUIA compensation base.

Auditors also reviewed pertinent policies and procedures and held discussions with various RRB personnel.

The OIG conducted the audit in accordance with generally accepted government auditing standards appropriate to the objective described above. Field work was performed at the

RRB headquarters office in Chicago, Illinois from March through June 1998.

### **Results of Review**

This review determined that the RRB is in compliance with the five provisions of the Railroad Unemployment Insurance Amendments Act of 1996. Four of the provisions involved programming changes to the Daily RUIA Claims Processing System. The other provision required manual processing and adjudication of unemployment claims based on information supplied by claimants.

The OIG did not identify any automated processing irregularities that resulted in noncompliance with the Act. Programming changes accurately implemented (1) a reduction in the number of days in waiting periods, (2) a reduction in the number of waiting periods in periods of continuing unemployment or sickness, (3) an increase in maximum daily benefit rates, and (4) a reduction in extended benefits for railroad employees with 15 or more years of railroad service.

Examination of the adjudication and manual processing of unemployment claims disclosed one error related to the new earnings test. A claimant reported seven days of vacation pay in a claim period and also indicated that he had no pay during that period. District office personnel did not follow-up to resolve this inconsistency.

At the request of the OIG, Office of Programs staff questioned the railroad employer in this case about the amount of the vacation pay. A railroad official reported that the claimant's pay was in excess of the earnings threshold. Therefore, benefits were erroneously paid for the claim. The resulting overpayment was \$126. This case represents 1 percent of the statistical sample of 100 cases.

We believe this is an isolated case. The Office of Programs has controls in place which we believe are adequate to prevent this type of manual processing error from recurring. The major controls are:

- the Office of Programs' distribution of detailed written instructions on adjudicating and processing claims subject to the earnings test,
- the regular quality control review of unemployment and sickness claims which were adjudicated and processed by district office personnel,
- the regional field offices' periodic inspection of district offices and review of claims processed at the offices for accuracy, and
- the district office managers' review of some claims processed in their offices for correct adjudication.

In addition, railroad employers have control over their employees' benefit claims when they

report employee wages in response to prepayment claims notices. The officials may also provide this information to the RRB in response to notification of paid claims.

For these reasons, the OIG has determined that the RRB is in compliance with the Railroad Unemployment Insurance Amendments Act of 1996. The one error discovered in unemployment claims processing was not significant enough to be considered a non-compliance issue. The cost of attempting to eliminate isolated instances of human error would exceed the minimal benefit that might be gained and would not affect the RRB's overall compliance with the Act. Therefore, the OIG is not making any recommendations in this report.